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DEPARTMENT OF HOMELAND SECURITY

U. S. COAST GUARD

STATEMENT OF

ADMIRAL THOMAS H. COLLINS

ON THE

REVISED DEEPWATER IMPLEMENTATION PLAN

BEFORE THE

SUBCOMMITTEE ON FISHERIES AND THE COAST GUARD

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

U.S. SENATE

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Introduction

Good morning Mr. Chairman and distinguished Members of the Subcommittee. It is a pleasure to have an opportunity to appear before you to discuss the Coast Guard's Integrated Deepwater System and the positive impact it will have on the Coast Guard's ability to secure America's maritime borders, aid persons in distress, facilitate the safe and efficient flow of commerce, and respond to the expeditionary requirements of U.S. combatant commanders.

On September 10, 2001, our primary maritime focus was on the safe and efficient use of America's waterways. Since 9/11, we have made great progress in securing America's waterways, while continuing to facilitate the safe and efficient flow of commerce. There is no doubt that work remains, but there is also no doubt that we continue to improve maritime homeland security each and every day – thanks in large part to the continued strong budgetary support of the Administration, and Congress, and certainly this committee.

The Integrated Deepwater System—the centerpiece for the Coast Guard's transformation and my top capital priority—plays an absolutely critical role in building a more ready and capable 21st-century Coast Guard equal to the challenging tasks we face today and anticipate tomorrow.

The Deepwater team's government-industry partnership achieved many program milestones during 2004 and strengthened Deepwater's foundation by incorporating far-reaching program and contract-management improvements in accordance with recommendations from the Government Accountability Office.

With the strong support of the Department of Homeland Security (DHS), the Administration, and Congress we are positioned to play an even greater role in reducing the future risk of a terrorist event against the homeland. During the past two years, we have modernized select legacy assets to operate more effectively until replaced by Deepwater assets. Through the revision of the Integrated Deepwater System mission needs statement and implementation plan we have established requirements for improved capabilities on converted or new Deepwater platforms that are necessary for the Coast Guard to perform its full range of post-9/11 missions.

The revised plan, based on a comprehensive performance-gap analysis, updates the original pre-9/11 Deepwater Program by modifying the original assets that would have been delivered to incorporate improved post-9/11 capabilities; retaining, upgrading, and converting aviation legacy assets as part of the final asset mix; and adjusting the program's overall asset delivery schedule to maximize operational effectiveness. The Revised Implementation Plan ensures Deepwater cutters and aircraft will be equipped with the right systems and capabilities (summarized below) to operate successfully in the post-9/11 threat environment. These enhanced capabilities are absolutely critical to ensuring the maritime security of America and its $750 billion maritime transportation system:

- Interoperable network-centric command-and-control system (essential for maritime domain awareness);
- Increased speed and integrated weapons systems on select cutters;
- Helicopter airborne use of force and vertical insertion and delivery;
- Improved fixed-wing aircraft long-range surveillance and transport;
- Enhanced anti-terrorist and force protection; and
- Detection-and-defense systems for chemical, biological, and radiological threats.

Deepwater's revised implementation plan is paramount in addressing the goals that Secretary Chertoff has established to integrate intelligence and operations across DHS using a rigorous risk-based framework for decision making.

Deepwater cutters and aircraft equipped with these capabilities will be leveraged far beyond the operational limitations of original Deepwater assets due to recent advancements in maritime domain awareness, intelligence, and homeland security partnerships. These advancements, combined with enhanced Deepwater capabilities, will enable the Coast Guard to close existing operational shortfalls so it may execute its full range of homeland security and national-defense missions far more effectively, reduce risk in the maritime domain, and improve the safety and readiness of all platforms. The revised plan also provides for the progressive sustainment, modernization, and conversion of aging legacy assets as Coast Guard transitions to a recapitalized fleet.

It is estimated the revised Deepwater long-term acquisition will cost between $19 billion and $24 billion over a period of 20 to 25 years. Because Deepwater is a performance-based acquisition, the revised plan projects a range of assets for the final force levels of two classes of cutters and some aircraft. As stated in the revised implementation plan, the final number of assets will, at a minimum, be sufficient to meet Department of Homeland Security and Coast Guard long-range performance goals.

Since we provided Congress with the revised Deepwater implementation plan in March, we have had a very constructive engagement with House and Senate oversight committees. We have now provided the Congress with details on the revised plan's asset delivery schedules over the life of the program. We fully appreciate the role Congress plays in providing for a 21st-century Coast Guard and its need for more detailed information upon which to make informed decisions.

Nearly three years ago, President Bush said, "The U.S. government has no more important mission than protecting the homeland from future terrorist attacks." The revised Deepwater Implementation Plan represents a significant investment in ensuring Coast Guard mission performance now and in the future. In short, it will result in a Coast Guard possessing the 21st-century technologies necessary to safeguard the nation, protect our citizens, and reduce the risk of a terrorist attack against the nation originating in the maritime domain. I look forward to further discussing this major milestone with you this morning.

The Coast Guard's 2006 budget includes $966 million for Deepwater, a 33 percent increase over last year's appropriation. This investment will make important contributions to the DHS strategic goals of improving threat awareness, prevention and protection against terrorist attacks, and response and recovery should they occur.

The Deepwater budget's increased asset funding for 2006 will yield essential system-wide capabilities for our maritime homeland security mission and sustain operational effectiveness in all of the Coast Guard's military, multi-mission, and maritime responsibilities. Deepwater aligns completely with my overarching budget goals to (1) recapitalize the Coast Guard, (2) implement the Maritime Strategy for Homeland Security, and (3) enhance mission performance.

Reducing Maritime Risk

Today's global maritime safety and security environment demands a new level of operations specifically directed against terrorism without degrading other critical maritime safety and security missions. Most importantly, the Coast Guard must implement the improved Deepwater capabilities identified in our revised implementation plan if we are to mitigate maritime security risks successfully in the post-9/11 world.

Secretary of Homeland Security Chertoff has emphasized that the three variables of threat, vulnerability, and consequence serve as the appropriate model for assessing risk and deciding on the protective measures we undertake as a nation. This is a framework quite familiar to Coast Guard men and women who perform multiple missions in our nation's ports, waterways, coastal areas, and on the high seas.
In terms of threat, vulnerability, and consequence there are few more valuable targets than the U.S. maritime transportation system:

- Threat: While the 9/11 Commission notes the continuing threat against our aviation system, it also states that "opportunities to do harm are as great, or greater, in maritime or surface transportation."
- Vulnerability: The maritime transportation system annually accommodates 6.5 million cruise ship passengers, 51,000 port calls by over 7,500 foreign ships, at more than 360 commercial ports spread out over 95,000 miles of coastline. The vastness of this system and its widespread and diverse critical infrastructure leave the nation vulnerable to terrorist acts within our ports, waterways, and coastal zones, as well as exploitation of maritime commerce as a means of transporting terrorists and their weapons.
- Consequence: Contributing nearly $750 billion to U.S. gross domestic product annually and handling 95 percent of all overseas trade each year, the value of the U.S. maritime domain and the consequence of any significant attack cannot be understated. Independent analysis and recent experiences on 9/11 and the West Coast dock workers strike demonstrates an economic impact of a forced closure of U.S. ports for a period of only eight days in excess of $58 billion to the U.S. economy.

The 9/11 Commission also drew a strong linkage between improved defenses with the government's ability to reduce the risk of a terrorist attack—a linkage that relates directly to the imperative to recapitalize the Coast Guard through an increasingly capable Deepwater system of systems. The Commission reported:

"Our report shows that the terrorists analyze defenses. They plan accordingly. Defenses cannot achieve perfect safety. They make targets harder to attack successfully, and they deter attacks by making capture more likely. Just increasing the attacker's odds of failure may make the difference between a plan attempted, or a plan discarded. The enemy also may have to develop more elaborate plans, thereby increasing the danger of exposure or defeat. Protective measures also prepare for the attacks that may get through, containing the damage and saving lives."

Since 9/11, the President, DHS, and the Coast Guard have made significant strides to secure our homeland by instituting these types of protective measures to help deter attacks in the maritime domain. However, maritime safety and security gaps remain. These gaps present risks that must be reduced.

The Coast Guard guides its efforts by implementing policies, seeking resources, and deploying capabilities through the lens of the national Maritime Security Strategy. However, continued risk reduction is contingent upon Coast Guard capability, capacity, and readiness. Without these basic building blocks, implementation of maritime security strategies will not be sustainable. With that in mind, my highest priority for the Coast Guard's 2006 budget is to continue to recapitalize the Coast Guard as a necessary foundation to implementing the maritime security strategy, as well as ensuring we continually enhance mission performance across the entire suite of Coast Guard mission requirements.

Recapitalizing the Coast Guard is the foundation of our ability to continue improving maritime security while facilitating the flow of commerce. It is on this foundation that the 2006 budget continues to build out Coast Guard Deepwater capabilities necessary to reduce risk and implement the national maritime strategy for homeland security—today, tomorrow, and into the future.

The 2006 Deepwater budget continues the recapitalization of our cutters, boats, aircraft and support infrastructure to reverse declining readiness trends and provide critical operational capabilities to meet today's maritime security and safety threats. As detailed in the National Strategy for Homeland Security, this remains a critical need in protecting the homeland.

Recapitalize the Coast Guard

Despite spending increasing amounts to maintain operational assets, the Coast Guard is experiencing a continuing decline in fleet readiness. Legacy cutters are now operating free of major equipment casualties (equipment failures that significantly impact mission performance) less than 50 percent of the time, despite the investment per operational day increasing by over 50 percent over the last six years. The resulting "readiness gap" negatively impacts both the quantity and quality of Coast Guard "presence" – critical to our ability to accomplish all missions.

Readiness Declining
The majority of the Coast Guard's operational assets, designed for the threat environment of the 1960s and 1970s, will soon reach the end of their anticipated service lives resulting in rising operating and maintenance costs, reduced mission effectiveness, unnecessary risks. Listed below are some specific examples highlighting alarming system failure rates, increased maintenance requirements, and the subsequent impact on mission effectiveness:

- HH-65 helicopter in-flight engine power losses occurred at a rate of 329 mishaps per 100,000 flight hours in FY 2004. This is up from a FY 2003 rate of 63 mishaps per 100,000 flight hours. The engine-loss rate has resulted in flight and operational restrictions and high levels of risk to our aircrews. Re-engining the HH-65 will remain the Coast Guard's highest legacy asset priority until complete. We greatly appreciate Congress' support in correcting this critical safety and reliability issue, including transferring an additional $40 million into Deepwater to accelerate this re-engining effort in fiscal year 2005. The 2006 budget requests $133 million to complete re-engining of the remaining operational HH-65s.
- The 110-foot Patrol Boat fleet has experienced 23 hull breaches, or openings in the hull from corrosion, requiring emergency dry docks. The resultant loss in operational days poses unacceptable risks to our personnel. By the end of 2005, the Coast Guard will have taken delivery of eight reconfigured 123-foot patrol boats, which are upgraded 110-foot patrol boats designed to sustain this cutter class until replacement with the Integrated Deepwater System's Fast Response Cutter.

  Last month, I directed that Deepwater's conversion of 110-ft. patrol boats be terminated at eight hulls for several reasons. First, the pre-9/11 design for the 123-foot patrol boats did not provide needed homeland security capabilities called for in the revised Deepwater mission need statement. Second, the advanced deterioration of the 110-foot patrol boat hulls, increased costs associated with conversion and technical difficulties were also significant parts of this decision. Several steps have been taken to mitigate the near-term operational impact of this termination. For the long term, the Coast Guard has advanced the design and construction of the new Fast Response Cutter by a full decade. The revised Deepwater implementation plan builds improved post-9/11 capabilities into this cutter's design and delivers it far sooner than originally planned.

- Our high and medium endurance cutters are experiencing sub-system failures due to old and unserviceable systems. The 378-foot high endurance fleet averages one main space casualty, with potential to escalate to main space fire, on every patrol. Three out of a total class of 12 ships have recently missed operations due to unscheduled maintenance required to repair failing sub-systems. The total number of unscheduled maintenance days for the major cutter (medium and high endurance cutters) fleet has increased from 85 days in FY 1999 to 358 days in FY 2004 (over a 400 percent increase over FY 1999). This loss of operational cutter days in 2004 equates to losing two major cutters, or 5 percent of our major fleet for an entire year. The 2006 budget includes funding for six mission effectiveness projects to help sustain the medium endurance cutter fleet, and funds construction of the third National Security Cutter, the replacement for the Coast Guard's high endurance cutter class.

These same Deepwater assets are integral to the Coast Guard's ability to perform its missions of ports, waterways, and coastal security; migrant- and drug-interdiction operations; fisheries enforcement, and search and rescue. In 2004, Deepwater legacy assets made invaluable contributions to America's maritime security and safety:

- Operation ABLE SENTRY blanketed the coastline of Haiti with legacy Coast Guard Deepwater assets, which interdicted more than 1,000 illegal migrants during this operation and deterred many thousand more from taking to sea in unsafe boats.
- The 378-foot Coast Guard Cutter GALLATIN, and its Airborne-Use-of-Force- (AUF) capable helicopter seized more than 24,000 pounds of cocaine worth an estimated $768 million and detained 27 suspected smugglers in the span of seven weeks. The GALLATIN's commanding officer has indicated that the secure-communications improvements made by the Deepwater Program were key to this effort.
- The Coast Guard's aging Deepwater cutters and aircraft patrolled over 28,000 hours in direct support of maritime homeland security missions. 110-foot patrol boats alone patrolled 13,000 hours supporting port and coastal security missions including, cruise ship escorts, critical infrastructure protection, and countless security boardings.
- Working in conjunction with the U.S. Secret Service during the national political conventions, 270-foot Medium Endurance cutters and 110-foot patrol boats provided maritime security, enforced security zones, and served as command and control platforms coordinating maritime traffic. Deepwater aircraft, equipped with the AUF package, provided air security and conducted maritime security patrols.

Deepwater's modernization and recapitalization of the Coast Guard includes efforts to sustain these legacy assets to continue to perform the Coast Guard's missions while replacement assets are being acquired. These sustainment and in some cases upgrading efforts are already beginning to yield results at sea:

- On February 13, the crew of the 123-foot cutter MATAGORDA, on its first operational patrol following a major conversion as part of the Coast Guard's Deepwater Program, played an instrumental role in intercepting a smuggler's boat attempting to bring 25 Cuban migrants into the country illegally. MATAGORDA, outfitted with a more capable command-and-control system during its recent Deepwater upgrade, assumed the role of on-scene commander in the Florida Straits to coordinate the interdiction effort. After a long chase the smuggling boat was safely stopped two miles south of the Dry Tortugas. The smugglers were turned over to Customs and Border Protection officials, and all of the migrants were repatriated to Bahia de Cabanas, Cuba, on February 14.
- Late last year, crews on the Coast Guard Cutters GALLATIN, RUSH, and THETIS collectively seized more than 33,949 pounds of cocaine during law-enforcement deployments—continuing

the Coast Guard's record-setting pace established during fiscal year 2004 when 240,518 pounds of cocaine were seized (shattering the previous record of 139,000 pounds interdicted in 2001). Deepwater communication upgrades and previous enhancements installed on these aging legacy cutters played a major role in their success, because the operations involved multiple cutters, federal agencies, and foreign countries—mandating seamless connectivity and high levels of interoperability between all participants.

In each of these recent operations, the Deepwater Program's C4ISR (command, control, communications, computers, intelligence, surveillance, and reconnaissance) upgrades allowed cutter crews to maintain a common operational picture and higher levels of maritime domain awareness (MDA). The upgrades included provisions for first-time use of a classified Local Area Network and the Secure Internet Protocol Router Network (SIPRNET), which commanding officers attribute to "revolutionizing their world of work" because it affords crew access to real-time intelligence information and Department of Defense satellite imagery during current operations, as well as increased speed and size of transmission through compressed bandwidth capability.

As gratifying as these early demonstrations of the efficacy of the Deepwater Program's acquisition strategy may be, they are but a harbinger of what the future holds when new-construction Deepwater assets possessing more robust capabilities begin to enter service later this decade.

The President's fiscal year 2006 budget for the Integrated Deepwater System takes aim on reversing the Coast Guard's declining readiness trends and transforming the Coast Guard. The budget's level of investment in the Integrated Deepwater System provides the Coast Guard with the capability and capacity essential to meet our nation's maritime homeland security needs; providing a layered defense throughout ports, waterways, coastal regions and extending far offshore, as well as sustaining other mission area efforts, such as search and rescue and living marine resources. Specifically, the fiscal year 2006 President's budget requests $966 million for the Integrated Deepwater System to:

- Continue acquisition of Eagle Eye Tiltrotor Vertical-Takeoff-and-Landing Unmanned Aerial Vehicles (VUAVs), including mission sensor packages and ground control technology;
- Complete re-engining of all operational HH-65 helicopters;
- Complete service-life extension, avionics, and radar upgrades for HH-60 helicopters and HC-130H aircraft;
- Procure long-lead material for and production of the third National Security Cutter (NSC);
- Complete design and procurement of long-lead material for the first Offshore Patrol Cutter (OPC);
- Conduct testing and evaluation of the first Fast Response Cutter (FRC);
- Complete mission effectiveness projects on six Medium Endurance Cutters (WMECs) to sustain these cutters until they can be replaced with the OPC; and
- Continue innovative, interoperable network-centric C4ISR system upgrades to improve maritime domain awareness and provide a common operational picture.

Funding included for legacy asset sustainment projects, such as HH-65 re-engining and WMEC mission effectiveness projects, is critical to sustain capabilities today, while the acquisition of new and enhanced Deepwater assets will ensure the Coast Guard has the right capabilities tomorrow.

Revised Post-9/11 Deepwater Implementation Plan

The events of September 11, 2001, have changed the performance requirements for Coast Guard people and the assets they use. The original Deepwater system designed for September 10, 2001, simply could not do all that would be required of it after September 11, 2001.

The Coast Guard began to adjust Deepwater shortly after the contract was awarded in June 2002 by modifying the capabilities required of the first major new asset, the NSC. These changes are included in the current updated baseline and will enable the first NSC, now slated for delivery in 2007, to conduct maritime homeland security missions.

In March, together with Secretary and Mrs. Chertoff, I participated in the keel-laying ceremony for our first NSC. Mrs. Chertoff, the cutter's sponsor, noted that she looked forward to the day when American families can rest a little easier knowing that the men and women of the Coast Guard are conducting missions up and down the coasts of our nation in this fine ship. I agree wholeheartedly.

The keel laying for the first hull in our new class of NSCs marked a significant milestone in the Integrated Deepwater System's transformation of the Coast Guard for our 21st-century missions. Like other Deepwater cutters, aircraft, and systems, the NSC will play a major role in safeguarding the maritime security of our nation for many years to come.

Along with the immediate changes to the NSC's design specifications, DHS and the Coast Guard recognized the need to conduct a thorough review of the plans for all Deepwater assets. Changes to the national strategic security environment after 9/11 necessitated modifications to the Deepwater program focused on defeating terrorist threats, addressing contemporary mission demands, and satisfying current and emergent operational priorities.

The revised Integrated Deepwater System mission need statement and implementation plan were developed following a comprehensive, year-long analysis of the Coast Guard's post-9/11 mission requirements.

<u>CAPABILITY</u>

The revised plan addresses the Coast Guard's dual challenges of legacy-asset deterioration and performance gaps by enhancing the performance of selected Deepwater assets through added capabilities and conversions, including C4ISR systems; adjusting the implementation schedule and mix of individual assets over the life of the program; and providing necessary balance over the life of the program based on the DHS strategic goals, current and emerging mission requirements, and the need to provide for a high-quality workplace for Coast Guard men and women.

The revised Deepwater implementation plan updates the original plan by: (1) modifying the original assets that would have been delivered by the Deepwater project to incorporate design requirements for improved post-9/11 capabilities; (2) retaining, upgrading, and converting aviation legacy assets (C-130s, H-60s, H-65s) as part of the final asset mix, and (3) adjusting the program's overall asset delivery schedule (e.g. advancing delivery of the FRC and OPC by ten and five years respectively) to maximize operational effectiveness.

Specific operational enhancements contained in the revised Integrated Deepwater Systems implementation plan include:

- An innovative, integrated network-centric C4ISR system to harness the power of an interoperable network to enhance performance in all mission areas, improve MDA, and provide a

common operational picture—key to Coast Guard leading the inter-agency effort to know and respond to maritime conditions, anomalies, vulnerabilities, and threats. Improvements to C4ISR enable earlier awareness of events through the more effective gathering and fusing of terrorism-related information, analysis, coordination, response—all critical to detecting, deterring, and defeating terrorist attacks. Upgrades to Deepwater surface assets, for example, contribute directly to improved intelligence collection and fusion through a sophisticated Shipboard Sensitive Compartmentalized Information Facility (S/SCIF), sensors, and increased data-exchange bandwidth;

- Improved maritime-security capabilities such as increased speed and integrated weapons systems on selected Deepwater cutters essential to higher levels of maritime homeland security during a terrorist attack, opposed boardings, and other high-risk operations;
- Airborne use of force and vertical insertion and delivery capabilities to allow helicopters to provide warning and/or disabling fire, and to deploy, deliver, and recover boarding teams safely and more effectively;
- Improved fixed-wing aircraft long-range surveillance to increase MDA and reduce maritime patrol aircraft shortfalls in operating hours; organic Coast Guard air transport capability will enable deployment of Maritime Safety and Security Teams and National Strike Force teams for faster, more effective response.
- Improved capabilities for anti-terrorist/force protection on select Deepwater assets with all-weather self-defense and the ability to protect high-value assets; assets will have the capability to engage terrorists with higher assurance of survivability and continued mission capability; and
- Improved asset capabilities for detection and defense for chemical-biological-radiological (CBR) threats—essential to survival and continued operations during a CBR attack involving a weapon of mass destruction.

These are "must-have" capabilities in today's threat environment and the nation would be remiss to build out a Coast Guard without them. Consider the 96 hour advanced notice of arrival requirement for vessels arriving in U.S. ports - just one of the many improvements to maritime security resulting from the landmark Maritime Transportation Act of 2002. This reporting requirement enables the Coast Guard to identify threats before they enter our ports where they can do the most harm. The revised post- 9/11 capabilities listed above enable the Coast Guard to respond quickly and forcefully to neutralize these threats before they enter our nation's ports, waterways and coastal areas.

The revised implementation plan maximizes existing capabilities by calling for the conversion of H-60 and H-65 airframes to serve as multimission helicopters. Again, this is a prudent and reasonable investment decision reflecting the many years of experience we have operating and maintaining these aircraft.

The rigorous periodic depot-level maintenance process addresses corrosion and technology obsolescence issues on a recurring basis. When these helicopters are converted, the airframes will be taken apart down to the structural-component level based on a standard maintenance cycle. In addition to planned technical upgrades, strict specifications govern the requirement for refurbishment or replacement of aircraft components.

Deepwater's original implementation plan proposed by ICGS recognized the Coast Guard's ability to sustain aircraft indefinitely provided sufficient funding was available for necessary maintenance, repairs, and periodic system upgrades. In the original plan, the H-65 was selected for the final Deepwater force structure as a multimission cutter helicopter (MCH), and the H-60 was to be retained through at least 2022. Under the new plan both helicopters have been selected for the final Deepwater force structure.

The H-65 re-engining is well underway, setting the stage for the additional upgrades identified in the revised implementation plan. Earlier this month, Coast Guard Air Station Atlantic City, N.J., accepted its fifth re-engined aircraft, and one was delivered to Coast Guard Air Station Savannah, Ga.

CAPACITY

The Deepwater system's performance-based acquisition strategy allows the Coast Guard to respond to changing conditions and threats, and provides a vehicle for capability and schedule adjustments over the life of the program—maximizing value and performance through technology refreshment and innovation. For example, capability improvements incorporated at both the asset and system level in the revised implementation plan resulted in adjusting the original mix of some platforms. Owing to planned increases in C-130 aircraft for long-range surveillance and transport, for example, it is possible to adjust the number of CASA CN-235 aircraft (MRS) originally planned for the program.

Similarly, the AB-139 helicopter, originally proposed by Integrated Coast Guard Systems (ICGS) as a notional future platform, was determined not to possess the endurance and power necessary to meet post-9/11 requirements such as the need to transport six-member boarding teams, plus equipment, for vertical insertions to ships at ranges up to 200 nautical miles from a cutter or shore station; it also did not meet other requirements associated with Airborne Use of Force and operating in known icing conditions. Existing Coast Guard H-60 helicopters are capable of meeting these requirements and also have a mature logistics and training base in the armed forces that we may leverage.

The flexibility inherent in Deepwater's acquisition will enable the Coast Guard to adjust the final mix of selected platforms as overall system-of-systems capability improvements are generated by, for example, significant improvements to the program's system for C4ISR or Unmanned Aerial Vehicle technology.

Legitimate questions have been raised regarding our decision to project a range for the numbers of some assets—the system's capacity—when the Deepwater acquisition is completed some 20 to 25 years from now under current funding projections.

It is very difficult to predict today, with precise accuracy, what the optimum mix of Deepwater assets will be 15, 20, or 25 years from now. For that reason, our long-range projection for the acquisition depicts a range of numbers for five of our 11 Deepwater assets. From its inception, Deepwater has been a performance-based program. The final mix of assets and fleet size will be based on assessments of our threat environment, mission requirements, the actual performance of each asset, and the overall Deepwater system of systems' performance. This approach is both consistent with our long-range acquisition strategy and reflects good stewardship of the taxpayer's dollars.

A more complete explanation of the Deepwater acquisition strategy helps to explain the rationale behind the projected range of asset numbers. In short, more capable assets will be able to do a great deal more than those reflected in the pre-9/11 Deepwater construct—just as modern power tools and materials enable a carpenter to build a home in a shorter amount of time than the days when hand saws and hammers were the norm.

We believe our plan to incorporate improved post-9/11 operational capabilities on all major surface and aviation platforms will reap significant system-wide performance improvements that will have a bearing on capacity requirements. In the world of C4ISR, for example, we have already seen how command-and-control upgrades to our legacy cutters serve as a force multiplier to generate impressive dividends in operational effectiveness *and* efficiency. Armed with earlier, more accurate, and continuously streamed intelligence and operational data to maintain a common operating picture, commanders can employ their assets far more effectively than in the past.

The Coast Guard faces the same resource constraints as every other federal agency today, and it would be a breach of responsible stewardship to acquire additional capacity *if* a smaller force is able to satisfy our long-term performance goals. We will not know the answer to that question for a number of years. Deepwater's final number and mix of assets will, at a minimum, be sufficient to meet DHS and Coast Guard long-term performance goals. The program's alternative acquisition schedules provide far more meaningful vehicles for assessing the program's current and future direction.
For this reason, our emphasis to identify and incorporate the correct design requirements for the many improved capabilities needed to perform the Coast Guard's post-9/11 missions is the correct priority at this point in the Deepwater acquisition. We will have many years to adjust Deepwater's final capacity based on the system's actual performance, changes to mission requirements, and the future threat environment.

A Year of Achievement

As part of our efforts to enhance mission performance, it is appropriate to acknowledge that Deepwater's Coast Guard-industry team marked numerous important milestones during 2004. Beyond the past year's success story of C4ISR upgrades to legacy cutters, Deepwater's C4ISR shore-side upgrade was completed in 2004 at the Communications Area Master Station Pacific (CAMSPAC) facility at Point Reyes, Calif. The first shore-based IDS communications upgrade was completed in 2003 at Communications Area Master Station Atlantic (CAMSLANT).

As I discussed, we laid the keel for our first NSC in late March. The contract for that cutter was awarded just last June to Integrated Coast Guard Systems (ICGS, a joint venture between Lockheed Martin and Northrop Grumman). The Coast Guard's contract for the second cutter in the class was awarded to ICGS in early January. Northrop Grumman Ship Systems is leading the production effort, with Lockheed Martin responsible for the design, manufacture, and integration of the cutter's systems for C4ISR. From start-up to keel laying in a little less than two years, this is an impressive achievement.

Also last June, the Coast Guard awarded a contract to ICGS to begin the design and final requirements work for the OPC, Deepwater's medium-sized cutter. The design and final requirements for the third class of Deepwater cutters, the FRC, also will move forward smartly in 2005.

There also was steady progress in Deepwater's modernization and recapitalization of Coast Guard aviation assets last year. For example, the first production re-engined HH-65 helicopter incorporating Deepwater upgrades completed its test flights successfully in September and entered full operational service at Aviation Training Center, Mobile, Alabama, in early October. We are evaluating the feasibility of opening a second production line to allow the Coast Guard to accelerate this critical upgrade on our HH-65s, mindful of their reputation as the "workhorse of the fleet."

Similar progress is evident in the recapitalization of the Coast Guard's fixed-wing aircraft inventory. In 2003, the Coast Guard awarded a contract to ICGS for concept and technology development of our new maritime patrol aircraft. Initial contracts between Lockheed Martin and EADS CASA are for the procurement of three CN-235-300M medium-range surveillance maritime patrol aircraft. Delivery is scheduled for 2007 following configuration for Coast Guard missions. The contract also includes an option for spare parts and integrated logistic support, as well as an option for five additional aircraft. The CN-235-300M completed a successful Preliminary Design Review in December. Deepwater's Eagle Eye tiltrotor VUAV successfully completed its Preliminary Design Review last March and underwent its Critical Design Review in January 2005.

These milestones also illustrate the Deepwater Program's important industrial-base ramifications. Shipbuilding, aviation, and information technology systems come to mind immediately, but it is worth noting that Lockheed Martin and Northrop Grumman, joint partners in Integrated Coast Guard Systems (ICGS), have contracts with companies producing supplies or conducting work for the IDS program in 41 states.

National Fleet

Deepwater's recapitalization of the Coast Guard also plays a key enabling role in providing the means to achieve the National Fleet Policy's goals for interoperable Coast Guard and Navy assets. The policy is in place to ensure our two services work together to synchronize our multi-mission platforms, infrastructure, and personnel to provide the highest level of naval and maritime capability for the nation's investment. This, of course, is absolutely essential if we are to obtain the highest levels of operational effectiveness in maritime homeland security and homeland defense operations, as well as in the performance of our national-defense responsibilities providing expeditionary support to U.S. joint combatant commanders around the world.

Admiral Clark, the Chief of Naval Operations, has said that the global war on terrorism's heightened requirement for improved homeland defense and maritime security has produced a Navy-Coast Guard partnership unlike anything the sea services have experienced in many years. Partnership with the Navy and the Department of Defense allows an effective two-way flow of capability to meet both expeditionary and domestic security imperatives—all very much in the national interest. A number of initiatives are in motion to advance the National Fleet concept following my senior-level talks with Admiral Clark last November. Deepwater's contribution to National Fleet Policy objectives will only increase as the Program continues to gain momentum during the years ahead.

The Deepwater Program is actively working with the Littoral Combat Ship (LCS) Program at a functional level on small boat launch and recovery, weapons and combat systems, and mission modules. We are exploring other collaborative opportunities with the Naval Air Systems Command and the Marine Corps Systems Command.

The revised Deepwater Implementation Plan directly supports this inter-agency collaboration with the Navy. The plan's provisions for more capable Coast Guard cutters, aircraft, patrol boats, and C4ISR systems will enable us to achieve the National Fleet policy's call for the highest level of naval and maritime operational integration for improved maritime security.

Assistant Secretary of Defense for Homeland Security Paul McHale recently emphasized this compelling requirement. "It is in the maritime domain that I believe we have our single greatest opportunity to enhance our domestic U.S. security," he said. "We must achieve, in short, complete synchronization of Coast Guard and Navy capabilities."

Program Management

Deepwater also has made steady progress implementing recommendations from the Government Accountability Office (GAO) to improve program management and oversight. Last year, GAO identified 13 items of concern in two separate audit reports. The Deepwater Program has worked diligently and successfully to address them.

Since its March 2004 report was issued, we have updated GAO regularly on the implementation of these improvements through four detailed reports, six overall program briefings, and multiple on-site meetings regarding specific topic areas. and four briefs, including a day-long conference in January. We have taken specific actions to improve program management efforts to measure and evaluate cost, schedule, and performance; improve communications, and to encourage future cost control through rigorous competition.

In short, the Coast Guard has embraced the GAO's recommendations. Eleven recommendations were grouped by three categories: program management, contractor accountability, and cost controls through competition. GAO has closed two of the eleven recommendations as completed by the Coast Guard, and we anticipate further closures and satisfactory progress during the weeks ahead. These GAO closure actions and Coast Guard progress reports document the work the Coast Guard has done to comply with the GAO recommendations. Two recommendations of the 13 total, contained in a second separate audit report, addressed updating the Deepwater acquisition schedule. The Coast Guard complied with this request as part of the FY 2006 budget process.

To improve program management, we have restructured Deepwater's Integrated Product Teams (IPTs) to comport with GAO best practices, improved electronic information sharing systems, stabilized the workforce through human capital improvements, and standardized information flow from the program to field units to facilitate delivery of, and transition to upgraded Deepwater legacy platforms.

Regarding contractor accountability, the Coast Guard has refined the ICGS performance criteria to standardize input and increase the objectivity of annual assessments. To continually monitor contractor performance, the Coast Guard employs a "balanced score card" and an earned value-management system (both of which are considered "industry best practices").

To ensure cost control through competition, the Coast Guard reviews the competition of ICGS subcontracts through periodic evaluations. Additionally, ICGS has agreed to notify the Coast Guard prior to deviating from the accepted contract proposal if they decide to execute work in-house above $10 million that was proposed to be subcontracted by a company other than the ICGS prime contractor.

The Coast Guard welcomed the GAO's recommendations last year. We viewed them as an independent review of IDS contract-management practices. During her testimony to the Senate last month on the Deepwater Program, I was gratified to hear Ms. Margaret Wrightson, GAO's Director for Homeland Security and Justice Issues, describe the Coast Guard's response to her agency's review of our Deepwater Program as a "constructive engagement" on the issues. I share Ms. Wrightson's assessment and remain committed to the success of what I judge is a collaborative, complementary effort.

We fully recognize that GAO still sees the potential for our contracting approach to pose a number of inherent risks that, left unaddressed, could lead to increased costs and schedule adjustments in the Deepwater Program, but I restate today the Coast Guard's unwavering commitment to good stewardship. The Deepwater-industry team is a developing organization fully committed to continuous process improvement, the adoption of best-business practices, and an open frame of reference leading to continued refinement of its acquisition strategy and business plan.

We take our stewardship seriously, and we will achieve program success through performance measures and accountability. Simply stated, the GAO is making active contributions to help us successfully execute this critical Deepwater Program.

Conclusion

I appreciate your strong support of the Deepwater Program over the past several years in providing the Coast Guard with the tools necessary to meet our multi-mission and military demands and to fight the Global War on Terrorism. I am extremely proud of our Coast Guard's accomplishments since 9/11 as we strive to increase maritime homeland security while continuing to perform a myriad of critical maritime safety functions.

Funding requested for the Deepwater Program will positively impact our ability to deliver the maritime safety and security America demands and deserves by focusing resources toward our three critical priorities: recapitalize the Coast Guard, implement the Maritime Strategy for Homeland Security, and enhance mission performance.

The revised Deepwater implementation plan's progressive modernization and recapitalization will provide improved, critically needed capabilities that are fundamental to the Coast Guard's ability to deliver required levels of operational excellence necessary for the security of the nation and the safety of our citizens.

Thank your for the opportunity to testify before you today on the Deepwater Program. I will be happy to answer any questions you may have.